

ASSEMBLY BILL

No. 1374

Introduced by Assembly Member Liu

February 22, 2005

An act to amend Section 12975.9 of the Insurance Code, relating to seismic safety.

LEGISLATIVE COUNSEL'S DIGEST

AB 1374, as introduced, Liu. Seismic Safety Commission.

Existing law establishes the Seismic Safety Commission for purposes related to earthquake hazard reduction. Existing law establishes the Seismic Safety Account within the Insurance Fund, and provides that money in the account may be appropriated by the Legislature for specified purposes to fund the Seismic Safety Commission and certain administrative costs incurred by the Department of Insurance. Existing law provides for assessments levied against certain insurers to be deposited in the Seismic Safety Account. Under existing law, the provisions establishing the Seismic Safety Account and authorizing these assessments expire on July 1, 2007.

This bill would delete the expiration date for these provisions, and would therefore extend their operation indefinitely.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 12975.9 of the Insurance Code is
2 amended to read:

1 12975.9. (a) The Seismic Safety Account is hereby created as
2 a special account within the Insurance Fund. Money in the
3 account may be appropriated by the Legislature for the purposes
4 of this section to fund the department and the Seismic Safety
5 Commission. Assessments imposed on insurers as a prorated
6 percentage of premiums earned on property exposures for both
7 commercial and residential insurance policies relative to the
8 aggregate premiums earned on those exposures by all insurers
9 shall be deposited in the account. The premiums earned for
10 property exposures shall be as stated on lines 4 and 5.1 of the
11 annual statement filed by each insurer pursuant to Section 900.
12 The assessments shall be set annually based on earned premiums
13 reported for the next preceding year by the department and
14 calculated so that the funds in the account shall be sufficient to
15 fund appropriations for support of the Seismic Safety
16 Commission, for the actual collection and administrative costs of
17 the department, and for the maintenance of an adequate reserve.
18 The department shall submit the proposed assessments to the
19 Seismic Safety Commission for its review at a regularly
20 scheduled meeting of the commission.

21 (b) No assessment shall be levied on insurers with less than
22 one hundred thousand dollars (\$100,000) of annual direct
23 premiums earned on property exposures for both commercial and
24 residential insurance policies. The department may adjust this
25 amount as necessary to minimize costs by excluding assessment
26 amounts that are too small to justify the cost of assessment and
27 collection or if assessment or collection is impractical.

28 (c) An insurer, in its discretion, may recover this assessment in
29 an equitable fashion from the insured. The insurer, upon receipt
30 of an invoice, shall transmit payment to the department for
31 deposit in the Seismic Safety Account. Any deficiency or excess
32 in the amount collected in relation to the appropriation authority
33 for the commission and the department shall be accounted for in
34 the subsequent annual fee calculation. Any balance remaining in
35 the Seismic Safety Account at the end of the fiscal year shall be
36 retained in the account and carried forward to the next fiscal
37 year.

38 (d) Funds in the Seismic Safety Account shall be distributed,
39 upon appropriation, to the Seismic Safety Commission for the

1 support of the commission and to the department for the actual
2 administrative costs incurred in collecting the assessments.

3 (e) The department shall report annually to the Legislature, the
4 Seismic Safety Commission, and the Department of Finance on
5 the assessment calculation methodology employed.

6 ~~(f) This section shall remain in effect until July 1, 2007, and as~~
7 ~~of that date is repealed, unless a later enacted statute, that is~~
8 ~~enacted before July 1, 2007, deletes or extends that date.~~